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McGILL UNIVERSITY

Report of the Directors to the Shareholders of CANADA MALTING CO., LIMITED

Presented at the Annual Meeting, November 28, 1930

The Directors of CANADA MALTING CO. LIMITED beg to present herewith Balance Sheet as at August 31, 1930, and Statement of Profit and Loss for the year ending on that date, as certified to by the Auditors of the Company, Messrs. Price, Waterhouse & Company.

The Company's operations for the year ending August 31, 1930, resulted in a profit of \$361,362.67 after providing for all manufacturing, selling and administrative expenses, but before providing for depreciation and income taxes; from this amount there has been set aside \$100,000.00 as a provision for depreciation of buildings and plant and \$13,728.57 has been reserved for income taxes, leaving net profits of \$247,634.10.

As you are aware, barley is the main element entering into your Company's Product, and during the past year the market price of barley has seriously declined, the price having fallen from 76c per bushel at September 1, 1929, to 36c per bushel at August 31, 1930. Our sales of malt to customers are made under contract at prices based on the then current market price of barley, the deliveries thereunder being spread over a term, and, owing to the low price of barley, our malt contracts unfilled at August 31, 1930, amounting to approximately 3,660,000 bushels, were unusually heavy. In accordance with our usual practice, we have purchased barley or barley options to meet our malt sales contracts, thus insuring a margin of gross profit per bushel of malt delivered. For this reason we have valued our inventories and options on the basis of the approximate cost of barley as of the date the relative malt contracts were entered into, and have not written them down to the basis of the market price of barley as of August 31, 1930. In this connection, we have carefully reviewed the position of our open malt sales contracts and have made provision in our Balance Sheet for certain relatively unimportant contracts which may possibly never be carried out.

Net Profits for the twelve months were somewhat under the amount required to cover the four quarterly dividends paid, and the surplus of the Company was drawn upon to make up the difference. At a Meeting of your Directors, held just prior to this Meeting, the usual quarterly dividend of 37½c per share was declared, and your Directors are hopeful that, with an improvement in general business, earnings will be such as to cover the dividend requirements during the current year.

The Company was subjected to severe competition from United States Maltsters, during the period, and this necessitated our accepting considerable business at prices that showed little or no profit. Owing to the general falling off in business activity, our volume of shipments was considerably under that of the previous year. We are pleased to report that the Canadian Tariff on malt was recently altered, which places the Company in a more favorable position to meet the intensive competition to which Canadian Maltsters were subjected in the earlier part of the year.

The Plants of the Company have been maintained in excellent condition and considerable alterations and improvements have been introduced which should result in increased efficiency in operations.

The Directors wish to express their appreciation of the efforts of the staff during the past year.

All of which is respectfully submitted on behalf of the Board.

W. L. MATTHEWS,
President.

Balance Sheet, A

CURRENT ASSETS:

Accounts and bills receivable, less reserve		\$ 397,789.07
Inventories at approximate cost, as certified to by management:		
Malt, barley and barley options	\$1,944,614.25	
Coal, bags, oil and waste	17,593.93	1,962,208.18
		<u>\$2,359,997.25</u>

GRAIN EXCHANGE SEATS _____	9,600.00
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DEFERRED CHARGES:

Unexpired insurance and taxes	\$ 15,323.93	
Machinery repair parts and office supplies	20,000.00	
	<u>35,323.93</u>	35,323.93

FIXED ASSETS:

Land	\$ 207,384.00	
Buildings	2,247,503.28	
Plant and Equipment	1,736,261.90	
	\$4,191,149.18	
Less—Reserve for depreciation	322,978.87	
		3,868,170.31

Signed	W. L. MATTHEWS H. C. HATCH } Directors	\$6,273,091.49
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AUDTORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Company Limited furnished with all the information and explanations which we have required in respect of unfilled sales contracts as at August 31, 1930, have been valued. The contracts were entered into; this valuation is in excess of the market value of the directors to the shareholders. On this basis we certify that, in our opinion, the correct view of the state of the company's affairs as at August 31, 1930, according to the best of our information and the explanations given to us, is that the company is not insolvent and that the assets are sufficient to meet the liabilities.

TORONTO, November 3, 1930.

NG CO., LIMITED

August 31, 1930

LIABILITIES

CURRENT LIABILITIES:

Bank overdrafts	\$ 546,367.64
Accounts payable and accrued liabilities	136,113.80
Reserve for income tax	13,782.66
Dividend payable September 15, 1930....	74,630.12
	\$ 770,894.22

CAPITAL AND SURPLUS:

Capital Stock—

Represented by 198,972 shares without nominal or par value (authorized—200,000 shares)	\$5,239,636.01
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Profit and Loss—

Balance, September 1, 1929	\$ 313,448.06
Profit for the year ending August 31, 1930, before providing for income taxes	261,362.67
	\$ 574,810.73

Deduct—

Dividend at \$1.50 per share	\$298,520.90		
Provision for income tax	13,728.57	312,249.47	262,561.26
			5,502,197.27
			\$6,273,091.49

o. Limited for the year ending August 31, 1930, and have been furnished. The inventories of malt, barley, and barley options, carried in ed on the basis of the cost of barley at the date the relative sales ice of barley as at August 31, 1930, as explained in the report of opinion, the above balance sheet is drawn up so as to exhibit a true , 1930, and the results from operations for the year ending that date, us, and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,

Chartered Accountants.

CANADA MALTING CO.,
Limited

Statement of Profit and Loss
For the Year Ending August 31, 1930

PARTICULARS	AMOUNT
Profit from operations, after charging all manufacturing, administrative, selling and general expenses, but before providing for depreciation and Dominion income tax	\$361,362.67
<i>Deduct</i> —Provision for depreciation of buildings, plant and equipment	100,000.00
	<u>\$261,362.67</u>
<i>Deduct</i> —Provision for Dominion income tax	13,728.57
	<u>13,728.57</u>
NET PROFIT <i>for the year ending August 31, 1930</i>	<u><u>\$247,634.10</u></u>